

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-050
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Samprit Kaur

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-050

52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. James Vietheer, President
Board of Directors
52nd DAA, Sacramento County Fair
1600 Exposition Blvd
Sacramento, California 95815

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 52nd District Agricultural Association (DAA), Sacramento County Fair, Sacramento, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 52nd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

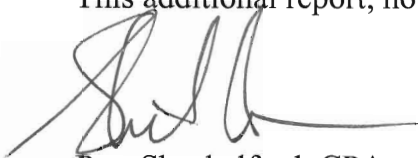
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 52nd DAA, Sacramento County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 52nd DAA, Sacramento County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-050 on the 52nd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 52nd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office

August 1, 2008

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash in Bank	111 - 117	\$ 260,610	\$ 360,804
Accounts Receivable, Net	131	2,960	15,161
Deferred Charges	143	-	292
Leasehold Improvements, Net	194	28,782	34,398
TOTAL ASSETS		<u>292,353</u>	<u>410,654</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	42,099	28,421
Taxes Payable	22-226	3,879	7,219
Deferred Income	228	30,480	51,934
Compensated Absences Liability	245	4,929	-
Total Liabilities		<u>81,388</u>	<u>87,574</u>
Net Resources			
Reserve for Junior Livestock Auction	251	57,459	51,706
Net Resources - Operations	291	124,724	236,977
Net Resources - Capital Assets	291.1	28,782	34,398
Total Net Resources Available		<u>210,965</u>	<u>323,081</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 292,353</u>	<u>\$ 410,654</u>

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2007 and 2006

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
REVENUE			
State Apportionments	312	\$ 180,000	\$ 180,000
Millennium Flex Funds	340	16,704	56,431
Commerical Space	415	104,641	79,109
Carnival	421	55,080	68,832
Food Concessions	422	58,679	68,622
Exhibits	430	16,800	12,898
Horse Show	440	2,592	1,988
Attractions - Fair Time	460	3,216	6,302
Miscellaneous Fair	470	84,208	38,849
JLA-Revenue	476	35,617	35,813
Non-Fair Revenue	480	1,867	396
Other Operating Revenue	495	13,247	11,394
Total Revenue		<u>572,652</u>	<u>560,632</u>
EXPENSES			
Administration	500	329,629	249,189
Maintenance and Operations	520	35,037	52,643
Publicity	540	59,860	58,022
Miscellaneous Fair	570	7,557	7,019
JLA Expense	576	29,864	40,528
Premiums	580	19,584	22,769
Exhibits	630	124,671	93,821
Horse Show	640	2,269	707
Attractions-Fairtime	660	54,225	63,831
Prior Year Adjustments	800	(602)	50
Depreciation Expense	850	5,616	5,616
Other Operating Expense	900	17,058	56,431
Total Expenses		<u>684,769</u>	<u>650,627</u>
RESOURCES			
Net Change - Income / (Loss)		(112,116)	(89,995)
Resources Available, January 1		323,081	413,076
Resources Available, December 31		<u>\$ 210,965</u>	<u>\$ 323,081</u>

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (112,116)	\$ (89,995)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	12,201	(13,401)
(Increase) Decrease in Deferred Charges	292	2,773
Increase (Decrease) in Accounts Payable	13,678	18,305
Increase (Decrease) in Compensated Absence Liability	4,929	-
Increase (Decrease) in Other Liabilities	(3,340)	4,584
Increase (Decrease) in Deferred Income	(21,454)	11,855
Total Adjustments	<u>6,306</u>	<u>24,118</u>
Net Cash Provided (Used) by Operating Activities	<u>(105,810)</u>	<u>(65,877)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Leaseholds & Improvements, Net	5,616	5,616
Net Cash Provided (Used) by Investing Activities	<u>5,616</u>	<u>5,616</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(100,194)	(60,261)
Cash at Beginning of Year	360,804	421,065
CASH AT END OF YEAR	<u><u>\$ 260,610</u></u>	<u><u>\$ 360,804</u></u>

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTOCOUNTY FAIR
SACRAMENTO, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 52nd District Agricultural Association (DAA) was formed, for the purpose of sponsoring, managing, and conducting the Sacramento County Fair each year in Sacramento, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents – The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax on all of the DAA's sales of merchandise. The DAA collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The DAA's

accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 100	\$ 100
Cash in Bank - Operating	3,067	56,017
Cash in Bank – Money Market	15,848	9,107
Cash in Bank – Time Deposits	187,015	243,776
Cash in Bank – Premium	(408)	-
Cash in Bank – JLA	20,074	17,814
Cash in Bank – JLA Money Market	<u>34,914</u>	<u>33,990</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 260,610</u></u>	 <u><u>\$ 360,804</u></u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 736	\$ 15,161
Accounts Receivable - JLA	4,697	2,523
Allowance for Doubtful Accounts	<u>(2,473)</u>	<u>(2,523)</u>
 Accounts Receivable - Net	 <u><u>\$ 2,960</u></u>	 <u><u>\$ 15,161</u></u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	2007	2006
Leasehold Improvements	\$76,730	\$76,731
Less: Accumulated Depreciation	(47,948)	(42,332)
Building & Improvements - Net	<u>\$ 28,782</u>	<u>\$ 34,399</u>

NOTE 5 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 6 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 52nd DAA Board of Directors
1	Chief Executive Officer, 52nd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

MANAGEMENT REPORT #08-050

YEAR ENDED DECEMBER 31, 2007

52ND DISTRICT AGRICULTURAL ASSOCIATION
SACRAMENTO COUNTY FAIR
SACRAMENTO, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Samprit Kaur

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#08-050

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. James Vietheer, President
Board of Directors
52nd DAA, Sacramento County Fair
1600 Exposition Boulevard
Sacramento, California 95815

In planning and performing our audit of the financial statements of the 52nd District Agricultural Association (DAA), Sacramento County Fair, Sacramento, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Sacramento County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 52nd DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 52nd DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 52nd DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 52nd DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 52nd DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 52nd DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting California Exposition contract, and compensated leave liability. We have provided two recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 52nd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR CALIFORNIA EXPOSITION CONTRACT

The Fair's contract with California Exposition (Cal Expo) was not signed and formalized in a timely manner. The prior contract ended on December 31, 2006 and the new contract was not signed until July 18, 2008. Although the terms of the signed contract are to April 15, 2007, the Fair for approximately 19-months (from January 1, 2007 through July 9, 2009) paid \$178,987 to Cal Expo for services including, but not all inclusive of, accounting, construction labor, storage rental, postage, and utilities before the contract was finalized and signed. We further noted that \$30,872 of the \$178,987 was for accounting services. According to Cal Expo, the accounting services are billed based on an agreed annual amount. Since there was no finalized contract when Cal Expo billed the Fair, there is no indication that the amount billed to the Fair was agreed upon. Therefore, when conducting business without formalizing a contract within a timely period, there is minimal or no protection for either party if there is an incident of insufficient payment or not meeting expectations of the work discussed. Furthermore, conducting business with an expired contract exposes the Fair to a risk when expected scope of the original agreement may have changed.

Recommendation

- 1. The Fair should ensure that the contracts are signed in timely manner by both parties. This will also help the Fair avoid risk when the original agreement may have changed, especially when an expired contract is renewed.*

COMPENSATED LEAVE LIABILITY

The Fair did not accurately determine and report the balance of Account #245, Compensated Absences Liability, at the year-end. An examination of the year-end accounting records disclosed a zero balance for the accrued compensated leave of the Fair's permanent and permanent intermittent employees. According to Governmental Accounting Standards Board (GASB), State and local governmental entities are required to report the full liability for compensated absences. Our office analyzed the Fair's payroll records and identified the unrecorded liability to be \$4,929 for the year-end 2007. Therefore, the net result is the Fair's compensated absence liability is understated by \$4,929 resulting in overall net resources to be overstated by \$4,929 as of December 31, 2007.

Recommendation

- 2. The Fair should ensure Account #245, Compensated Leave Liability, reflects the accurate liability amount at year-end. The amount reported in Account #245, Compensated Absence Liability, should be reconciled to detailed employee compensated leave records prior to closing the Fair's accounting records and preparation of the year-end financial statements.*

NON-REPORTABLE CONDITIONS

ACCOUNTS PAYABLE

The Fair overstated Account #212, Accounts Payable, by \$2,803 at year-end 2007. Our office noted that the Fair accidentally posted expenses for workers compensation expense and insurance expense twice. The posting error for workers compensation expense was \$2,003, while the posting error for insurance expense was \$800. As a result the expenses account and payables account were both overstated for the year-end 2007, by a total of \$2,803, causing net resources to be understated at the year-end by the same amount.

Recommendation

The Fair should ensure that all liabilities recorded are in agreement with the supporting documents prior to closing its accounting period at year-end. This process will allow for an accurate presentation of the liabilities and expenses in the accompanying year-end accounting reports.

CARNIVAL REVENUE

An examination of the Fair's controls over carnival revenue identified the following internal control weaknesses:

- a. Our Office noted that the Fair's contract with the carnival operators had expired in 2006. The Fair did not have a current copy of the signed contract on file for 2007 when they held the carnival with carnival operators. The Fair exposed itself to the risk by conducting business with an expired contract. Conducting business with expired contract terms will provided minimal protection when possible expectations of work discussed are not met by the parties.
- b. The Fair exposed itself to loss by not maintaining adequate controls governing the sales of carnival pre-sale tickets. In order to establish accountability of carnival pre-sale ticket revenues, supporting documentation such as reports on number of pre-sale tickets issued and number of tickets returned should be reviewed in order to verify total revenues reported for ticket pre-sale. Since the Fair did not have the supporting documentation for pre-sale tickets, ticket reconciliation between number of tickets sold and the amount of cash collected at each location was not performed which prevented the Fair from identifying discrepancies that may have occurred.

Recommendations

The Fair should ensure that all contracts are fully completed and signed by both parties before conducting any related business with the contractor.

The Fair should improve its controls over the sale of pre-sale carnival tickets by properly accounting for all tickets sold by outside vendors and at the Fair office. These

improvements are needed to determine the accurate number of tickets sold and cash received from local sales outlets. The accounting and documentation for advanced ticket sales should be as precise as possible since this revenue is ultimately used to determine the final payment by the carnival vendor to the Fair.

PAYROLL TAXES & FORMS W-2

Our office noted discrepancies between Fair's Internal Revenue Service (IRS) tax forms of quarterly 941's and W-3 for total taxable wages. The Fair incorrectly reported total compensation amount instead of taxable wages amount on their 941 Forms for the first three quarters during 2007. As a result, the taxable wages on Form 941 were overstated by \$11,295 at year-end 2007.

Recommendation

The Fair should reconcile the quarterly 941 Forms to the W-3 to ensure that total taxable wages, social security wages, and Medicare wages agree. Failure to do so may result in the IRS assessing penalties and interest based on incorrect information being submitted on these forms.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

SACRAMENTO COUNTY FAIR

October 3, 2008

Ron Shackelford, CPA
Chief
CDFA Audit Office
1220 N Street, Room 344
Sacramento, CA 95814

Dear Ron:

On September 3, 2008, the Sacramento County Fair received the Preliminary Draft Management Report #08-050 prepared by your office for the year ending December 31, 2007. We would like to respond to the reportable conditions listed in your report.


First, the reportable condition addressing payments made to the California Exposition & State Fair (Cal Expo) prior to signing a contract. Although the agreement was not signed formally, our former C.E.O. presented the estimated costs of the agreement in regards to accounting services \$30,827 and reimbursable costs during our April 2007 board meeting. Based on those cost estimates the board moved to accept the agreement as presented. We believe that this action demonstrates that our board, and management, was aware of the expectation of the services to be provided by Cal Expo and the agreed upon costs of those services. This information was provided to your auditors as evidence of our good-faith agreement between our two agencies.

As per your recommendation, beginning immediately our office will ensure that future contracts are signed in a timely manner in order to avoid risk regardless of our past business associations and record of service by the contractor.

Second, your report noted a reportable condition addressing the under reporting of the compensated leave liability at the year-end of employees. Prior to 2008 our agency outsourced employee benefits management and payroll. We relied on this source for the accurate accounting of employee benefits. Since our agency has recently internalized management of employee benefits we will have more control over tracking vacation and compensated time-off. Also, our staff will be attending the December 2nd DPA training in Sacramento for D.A.A.s. We believe that these two actions will improve the accuracy of our reporting in the future.

Please contact our office should you have any further questions regarding this correspondence.

Regards,



Jim Vietheer, Board Chair
Sacramento County Fair



T.J. Plew, CEO
Sacramento County Fair

Cc: Bruce Lim, Assistant Director
Division of Fairs & Expositions

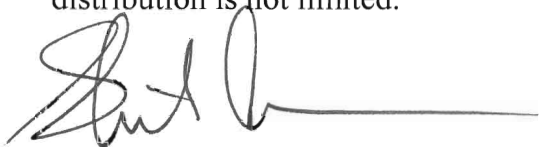
C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 52nd DAA, Sacramento County Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between July 21, 2008 and August 1, 2008. My staff met with management on August 1, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', followed by a long horizontal line.

For Ron Shackelford, CPA
Chief, Audit Office

August 1, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 52nd DAA Board of Directors
1	Chief Executive Officer, 52nd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office